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From: Bath, Blake
Sent: Monday, December 20, 1999 4:45 PM
To: Hash, Steven R
Subject: FW: 1999 & 2000

Steve

I'd just like to reiterate that everything Dan says in here I agree with 100%. Dan has had the right calls and he's been a trooper with banking. The only issues I would see are visibility with sales and clients, but I think these are things we could work on. I also believe Dan's replacement cost would be high.

Blake

-----Original Message-----

From: Fletcher, Daniel J
Sent: Monday, December 20, 1999 4:39 PM
To: Hash, Steven R
Cc: Bath, Blake
Subject: 1999 & 2000

Steve,

As we discussed, I believe the following points are relevant in evaluating my compensation for 1999:

Research Accomplishments despite a difficult group of companies (many of which we bank)
Banking Revenue
Compensation paid to peers

1) Research Accomplishments despite a difficult group of companies (many of which we bank):

Was positive and vocal on the few names with stronger fundamentals, and that worked:

- Primus: on 4/16, stock at \$15, became vocally positive citing solid fundamentals and growing data business as reasons to own. Co. subsequently blew away quarters (both Q2 and Q3), ramped data business, we published/spoke on frequently, and co. raised \$430M in equity and high yield through LB. Stock now at \$34
- GTS: Launched coverage on 9/23 stock at \$21 and since we've published/spoke on very frequently. #'s have come in solid, co ramping its Internet/Data focus and stock now at \$31. LB will be an out of order co. on upcoming convert deal, and we have a good shot to lead an equity deal in January.

Downgraded the weaker names in the Spring:

- Pacific Gateway: Downgraded at \$38 (4/26), now at \$16. Continually reiterated risks, which were borne out.
- STAR Telecom: Tried to downgrade on 4/26 at \$10, couldn't as company engaged LB to sell the co. STAR subsequently missed #'s. and has been sold.

Pretty much had the right call on other names (subject to banking restrictions):

- RSL: We were positive in 1H99 when co. was beating #'s. Backed off in fall as fundamentals weakened, numbers had to come down although we maintained 1-Buy rating as we led the Delta Three IPO.
- Teleglobe: Have been ahead of all multiple downward revisions this year. Did/could not downgrade (from 2) given significant banking opportunity (raising \$, M&A, selling stock of former shareholder of Excel).

2) Banking Revenue: I believe the revenues generated by my universe generated at least as much as other research universes, excluding the Delta Three IPO (which RSL's CEO will tell I was a key part of why LB won the books) and for which I believe I should get credit. '00 is looking to be a good year with Primus, RSL, GTS, TGO, Infonet, all likely to generate financing and/or advisory revenue.

3) Compensation paid to peers: I believe my peers at other firms (peers being defined as those covering emerging and intl. telecom, and peers within LB (banking, high yield research) are, on balance, above \$500k for '99, with some much higher.

For '00, my focus is to be one of the key sources on a few names that Investors really care about, those names being: GTS, Global Crossing, and Infonet, in addition to continuing to be a main source on Primus and RSL. I plan to ramp my marketing efforts and stick to a disciplined calling program. I would very much like to discuss expectations for '00.

Dan

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